

A variety of specific cases illustrate the fairness and simplicity of this flat tax:

Case #1—Married couple with two children, rents home, yearly income \$40,000

Under Current Law:

Income	\$40,000
Four personal exemptions	13,200
Standard deduction	10,300
Taxable income	16,500
Tax due under current rates	\$1,717

Marginal rate	10.4%
Effective tax rate	4.3%

Under Flat Tax:

Personal allowance	\$25,000
Two dependents	12,500
Taxable income	2,500
Tax due under flat tax	\$500
Effective tax rate	1.3%

Decrease of \$1,217

Case #2—Single individual, rents home, yearly income \$50,000

Under Current Law:

Income	\$50,000
One personal exemption	3,300
Standard deduction	5,150
Taxable income	41,550
Tax due under current rates	\$6,939

Marginal rate	16.7%
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Effective rate	13.9%
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Under Flat Tax:

Personal allowance	\$12,500
Taxable income	37,500
Tax due under flat tax	\$7,500
Effective rate	15.0%

Increase of \$561

Case #3—Married couple with no children, \$150,000 mortgage at 9%, yearly income \$75,000

Under Current Law:

Income	\$75,000
Two personal exemptions	\$6,600
Home mortgage deduction	13,500
State & local taxes	3,000
Charitable deduction	1,500
Taxable income	50,400
Tax due under current rates	\$6,809

Marginal rate	13.5%
Effective tax rate	9.1%

Under Flat Tax:

Personal allowance	\$25,000
Home mortgage deduction	11,250
Charitable deduction	1,500
Taxable income	37,250

Tax due under flat tax	\$7,450
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Effective tax rate	9.9%
Increase of \$641	

Case #4—Married couple with three children, \$250,000 mortgage at 9%, yearly income \$125,000

Under Current Law:

Income	\$125,000
Five personal exemptions	16,500
Home mortgage deduction	22,500
State & local taxes	5,000
Retirement fund deductions	6,000
Charitable deductions	2,500
Taxable income	72,500
Tax due under current rates	\$11,234

Marginal rate	15.5%
Effective tax rate	9.0%

Under Flat Tax:

Personal allowance	\$25,000
Three dependents	18,750
Home mortgage deduction	11,250
Charitable deduction	2,500
Taxable income	67,500
Tax due under flat tax	\$13,500

Effective tax rate	10.8%
Increase of \$2,266	

ANNUAL TAXES UNDER 20 PERCENT FLAT TAX FOR MARRIED COUPLE WITH TWO CHILDREN FILING JOINTLY

Income	Home mortgage*	Deductible mtg interest	Charitable contribution*	Personal allowance (w/ children)	Taxable income	Effective tax rate (percent)	Taxes owed
<37,500					0	0	—
37,500	75,000	6,750	750	37,500	0	0	—
40,000	80,000	7,200	800	37,500	0	0	—
50,000	100,000	9,000	1,000	37,500	2,500	1	500
60,000	120,000	10,800	1,200	37,500	10,500	3.5	2,100
70,000	140,000	11,250	1,400	37,500	19,850	5.7	3,970
80,000	160,000	11,250	1,600	37,500	29,650	7.4	5,930
90,000	180,000	11,250	1,800	37,500	39,450	8.8	7,890
100,000	200,000	11,250	2,000	37,500	49,250	9.9	9,850
125,000	250,000	11,250	2,500	37,500	73,750	11.8	14,750
150,000	300,000	11,250	3,000	37,500	98,250	13.1	19,650
200,000	400,000	11,250	3,125	37,500	148,125	14.8	29,625
250,000	500,000	11,250	3,125	30,000	198,125	15.9	39,625
500,000	1,000,000	11,250	3,125	37,500	448,125	17.9	89,625
1,000,000	2,000,000	11,250	3,125	37,500	948,125	19.0	189,625

* Assumes home mortgage of twice annual income at a rate of 9 percent and charitable contributions up to 2 percent of annual income.

HOMEOWNERS' INSURANCE NONDISCLOSURE ACT

Mr. LOTT. Mr. President, I have introduced a bill requiring insurance companies to provide a written "plain English" explanation on the front page of each new homeowner's policy. It is a commonsense, customer-friendly service that could benefit insurers, consumers, and taxpayers.

I cosponsored a similar measure during the last Congress. The changes from last Congress are minimal. The new bill, called the Homeowners' Insurance Nondisclosure Act, deals exclusively with homeowners' policies, the area where most insurance coverage disputes arose following Hurricane Katrina.

Homeowners' policies are notoriously long, complicated, and written in legalese. Even for homeowners who are familiar with legal documents like mortgages and deeds, insurance policies are hard to understand.

That is because these policies are a contract between two parties, defined in precise legal terms. In the case of homeowners' policies, most consumers depend heavily on their agents for a good-faith explanation.

Yet, unlike a mortgage or deed, insurance policies are a competitive product purchased by consumers. While

we can't erase complex legalese from an insurance document, I do think it is reasonable for insurers to provide their paying customers with a simple, concise explanation of their policy.

If passed, this bill would require insurers to place a basic description of what the policy will not cover in a "noncoverage box," stating in bold letters, twice the size of the body of the policy text, all conditions, exclusions, and limitations pertaining to the individual policy's coverage.

Consumer groups like this proposal, and insurers should, too. It requires nothing of insurance companies except a little extra ink, but it could save insurers, their customers, and taxpayers much more.

One consumer group contends that had there been a plain English explanation of homeowners' policies before Katrina, American homeowners could have saved up to \$65 billion in lost claims. Insurers and taxpayers could save an untold amount of time and money in averted negotiations and court costs associated with disputes.

Using existing laws that govern unfair or deceptive practices, my bill would require the Federal Trade Commission, FTC, to enforce penalties against insurers who fail to comply with the noncoverage disclosure.

Predictably, some big insurance companies are already criticizing this bill, so expect some in the insurance industry to show resistance even in the face of this commonsense, cost-effective, consumer-friendly requirement. Their reaction is typical of some in the insurance industry's overall response since Hurricane Katrina—to delay, distract, and distort, saying "no" even to the most simple, sincere solutions.

That is what prompted lawmakers like U.S. Representative GENE TAYLOR and me to initiate this legislation and other major insurance reforms aimed at making insurance more dependable for the consumers who must buy it.

I hope insurance companies will play by significantly different rules when the next Katrina-like disaster hits America—rules which better protect consumers. And for homeowners, some of those rules will be clearly displayed on the first page of every new homeowner's policy, written in plain English.

ELECTIONS IN NIGERIA

Mr. FEINGOLD. Mr. President, this month's elections in Nigeria mark an important moment for Africa's most populous country. Free, fair, and peaceful elections would allow Nigeria